Sask. - Dept Rpts
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# SASKATCHEWAN GRAIN CAR CORPORATION

# Saskatchewan Grain Car Corporation

December 8, 1982
Regina, Saskatchewan

To His Honour
the Honourable C. Irwin McIntosh
Lieutenant-Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the annual report of the Saskatchewan Grain Car Corporation for the year ending July 31, 1982, including the financial statements therefore, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Grain Car Corporation Act, 1981.

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MAR 10 1983
REGINA

I have the honour to be Sir,

Your obedient servant,

Eric Berntson
Minister of Agriculture
and Minister in Charge
of the Saskatchewan Grain
Car Corporation

## DIRECTORS

Honourable Eric Berntson, Carievale

Honourable Bob Pickering, Milestone

Stuart Kramer, Regina

## CORPORATE SECRETARY

Dan Baldwin, Regina

## MANAGEMENT

Stuart Kramer, Regina
Acting General Manager

Donald Shawaga, Melville
Fleet Superintendent

Mabel Ottenbreit, Melville
Secretary

Saskatchewan Grain Car Corporation

# Annual Report 1982

The crop year 1981-82 marks the second year of operation for the Saskatchewan Grain Car Corporation.

At the beginning of the 1981-82 crop year, the Saskatchewan Grain Car Corporation had 477 hopper cars on CN lines and 363 hopper cars on CP lines. From August 1 to October 19, 1981, CP received an additional 160 hopper cars on their lines to establish the full complement of 1,000 Saskatchewan Grain Car Corporation hopper cars in the grain service fleet. The percentage of cars on the CN and CP lines was based on the total bushels handled by each carrier in the 5 year period from October, 1974 to September, 1979. Every two years this formula may be reapplied to the most recent 5 crop-years to determine a possible reallocation of cars.

The Corporation's office is in Melville, Saskatchewan. The office is manned by two staff members: Fleet Superintendent, Don Shawaga, and secretary, Mabel Ottenbreit.

The Corporation adopted a computerized car monitoring system which went on line in May, 1982. The system has the ability to monitor the day-to-day movements of the fleet highlighting inactive cars, misloads, or any activities contrary to the Corporation's contractual arrangements with the railroads. A weekly summary of statistical reports is obtained to help ensure the fleet is used to capacity.

Twelve cars were involved in derailments during the 1981-82 crop year. Six of these cars were repaired by the railroads to original construction standards prior to July 31, 1982; these cars have been put back into service. The remaining six cars will be back in service by late fall, 1982.

Although the full complement of 1,000 hopper cars was not in the system until October 19, 1981, the cars moved about 1 310 370 tonnes of grain from Western Canada to market. Of that total, 738 050 tonnes were spring wheat, 115 850 tonnes were durum wheat, 14 230 tonnes were oats, 316 770 tonnes were barley, 25 580 tonnes were rye, 21 240 tonnes were flax, and 78 650 tonnes were rapeseed.

The cars made 9,507 trips to Thunder Bay, 6,680 trips to Vancouver, 725 trips to Prince Rupert and 423 trips to inland mills and feed plants, making a total of 17,335 trips. No cars moved to Churchill because that rail line carries only smaller box cars. Average turnaround time for the cars in the 1981-82 crop year was 21 days on CN lines and 19 days on CP lines. Average turnaround time for the total fleet of 1,000 cars was 20 days. In the last three months of the 1981-82 crop year, the Saskatchewan Grain Car Corporation hopper car fleet had an average turnaround time of 17 days.

Fifty-three per cent of the loading into Saskatchewan Grain Car Corporation cars originated in Saskatchewan, 31% in Alberta, 15% in Manitoba and 1% in British Columbia.

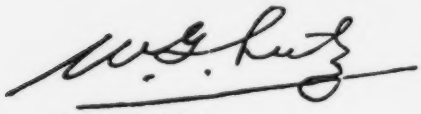
Saskatchewan Grain Car Corporation

# Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 1982 and the statement of revenue and expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at July 31, 1982 and the results of its operations for the year then ended in accordance with the stated accounting policies described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.



W. G. Lutz, F.C.A.
Provincial Auditor.

Regina, Saskatchewan
August 19, 1982

# Statement 1 — Financial Position

July 31, 1982

## Operating Fund

| ASSETS | 1982 | 1981 (Note 7) |
|---|---|---|
| **Current Assets** | | |
| Cash | $ 8,786 | $ — |
| Short-term investments, at cost | 29,000 | — |
| Accounts receivable — grant — Department of Agriculture (Note 1(a)) | 2,319,519 | 2,451,381 |
| — accrued interest on short-term investments | 223 | — |
| | $ 2,357,528 | $ 2,451,381 |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts Payable | | |
| — interest — Heritage Fund (Note 4) | $ 2,354,628 | $ 2,435,822 |
| — accrued expenses | 2,900 | 15,559 |
| | $ 2,357,528 | $ 2,451,381 |

## Capital Fund

| ASSETS | | |
|---|---|---|
| **Current Assets** | | |
| Cash | $ 3,903 | $ 9,129 |
| Short-term investments, at cost | 3,530,364 | 19,227,923 |
| Accounts receivable — accrued interest on short-term investments | 32,162 | 234,825 |
| | 3,566,429 | 19,471,877 |
| **Fixed Assets** (Note 1(b) and 3) | 54,509,171 | 40,961,325 |
| Less valuation allowance (Note 1(a)) | 1,833,330 | — |
| | 52,675,841 | 40,961,325 |
| | $ 56,242,270 | $ 60,433,202 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts Payable — Canadian Wheat Board (Note 3) | $ — | $ 3,550,800 |
| Long-term loan from the Heritage Fund (Note 4) | 53,166,670 | 55,000,000 |
| Surplus — Statement 2 | 3,075,600 | 1,882,402 |
| | $ 56,242,270 | $ 60,433,202 |

(See accompanying notes to the financial statements)

Saskatchewan Grain Car Corporation

# Statement 2 — Revenue and Expenditure and Surplus

For the Year Ended July 31, 1982

| | Capital Fund (Note 1) | Operating Fund (Note 1) | Total 1982 | Total 1981 |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Grant — Consolidated Fund — Department of Agriculture | $ — | $ 9,200,824 | $ 9,200,824 | $ 2,526,090 |
| Hopper Car — Rental revenue | — | 56,294 | 56,294 | — |
| Interest on short-term investments | 1,193,350 | 1,066 | 1,194,416 | 1,882,712 |
| | 1,193,350 | 9,258,184 | 10,451,534 | 4,408,802 |
| **EXPENDITURES** | | | | |
| Salaries | — | 55,532 | 55,532 | 7,952 |
| Board of Director Expenses | — | 12,673 | 12,673 | 2,914 |
| Administration Expenses | 152 | 150,343 | 150,495 | 79,712 |
| Debt Charges — interest | — | 7,206,306 | 7,206,306 | 2,435,822 |
| — principal | — | 1,833,330 | 1,833,330 | — |
| | 152 | 9,258,184 | 9,258,336 | 2,526,400 |
| Excess of revenue over expenditure | 1,193,198 | — | 1,193,198 | 1,882,402 |
| Surplus, beginning of year | 1,882,402 | — | 1,882,402 | — |
| Surplus, end of year | $ 3,075,600 | $ — | $ 3,075,600 | $ 1,882,402 |

(See accompanying notes to the financial statements)

# Notes to Financial Statements

Year Ended July 31, 1982

1. **Major Accounting Policies**

a) The accounts of the Corporation will be maintained in three segments:

i) Capital Fund

1. The fixed assets of the Corporation are maintained in a Capital Fund. When purchased, the grain cars are recorded in this fund along with the offsetting liability to the Heritage Fund, from where the loan was received. The annual principal repayment is included in the statement of revenue and expenditure of the Operating Fund under the caption "Debt charges — principal".

2. The grain cars are being depreciated in annual amounts equal to the principal repayment to the Heritage Fund. This policy allows for an amortization period of 30 years. Any balance remaining after that time will represent the residual value of the pool of cars.

3. The Corporation's equity in fixed assets is increased by an amount equal to the principal reduction of long term debt. This amount, however, is offset by the write-off in the value of the assets as explained in 2, resulting in equity in fixed assets being nil at all times.

4. Interest earned on short-term investments, less related expenses, will be retained until final settlement has been agreed on the purchase of the pool of grain cars.

ii) Reserve Fund

All cash receipts from the railways by way of compensation for irreparable damage to grain cars will be retained in the Fund and will be used solely for the purchase of replacement cars. All interest earned from these cash balances will be retained in this Fund. To date, no cars have been irreparably damaged and so no transactions have been recorded against the Reserve Fund.

iii) Operating Fund

Net operating expenses and debt charges on the long-term loan will be covered annually by an equal grant from the Department of Agriculture from funds appropriated by the Legislature. This grant has been recorded in the Financial Statements on an accrued basis to the extent necessary to offset expenses incurred.

b) Purchase and depreciation of grain cars

i) The purchase of the grain cars is grouped as a 'pool'. Purchase costs of cars, together with transportation and inspection expenses will be capitalized. The cost of the pool will not be adjusted for irreparably damaged cars nor for replacements purchased from the Reserve Fund.

ii) Depreciation will be allowed for as noted above.

c) Purchase of other fixed assets

Purchases of office equipment will be expensed in the year of acquisition to the Operating Fund.

d) Operating revenue

According to the terms of the Operating Agreement between Saskatchewan Grain Car Corporation, Canadian National Railway Company, Canadian Pacific Limited and the Canadian Wheat Board, the railways have the right to manage and operate the cars. Revenue earned by the cars in the movement of wheat, oats, barley, rye, flaxseed and rapeseed in the Western Division shall accrue to the railways for their own account.

2. **Status of the Corporation**

The Saskatchewan Grain Car Corporation was established by Order-in-Council 1787/79 on October 2, 1979 and continues under the provisions of The Saskatchewan Grain Car Corporation Act.

3. **Fixed Assets**

As at July 31, 1982 the Corporation had acquired all of the 1,000 grain cars purchased through the Canadian Wheat Board. Costs incurred at that date, based on the estimated "pooled" cost of a large order placed by the Board, are as follows:

| | |
|---|---|
| Purchase of grain cars | $53,339,500 |
| Inspection costs | 403,380 |
| Consultancy fees | 65,091 |
| Transportation costs | 701,200 |
| | $54,509,171 |

Final settlement of actual pooled costs and financing costs is yet to be made with the Canadian Wheat Board.

4. **Long-Term Loan**

The acquisition cost of the 1,000 grain cars has been financed by a loan from the Heritage Fund as authorized by Order-in-Council 467/81 dated March 24, 1981. The following terms were prescribed in the Order-in-Council:

i) the principal amount of the loan shall be repaid in 30 equal annual instalments of $1,833,333.

ii) the loan will bear interest at 13¼% per annum.

iii) payments of principal and interest are due annually on March 31.

5. **Related Parties**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

6. **Costs Borne By Other Agencies**

The Corporation's Melville office is located in a government building and accordingly, no rent is paid for the use of this space. Neither the value of these benefits received nor the costs of this space are reflected in these financial statements.

7. **Comparative Figures**

To conform to 1982 presentation, certain of the 1981 figures have been reclassified. This reclassification has resulted in investments of $19,227,923 and certain other assets and liabilities being transferred from the Operating Fund to the Capital Fund. Accordingly the inter-fund balances have been eliminated.